

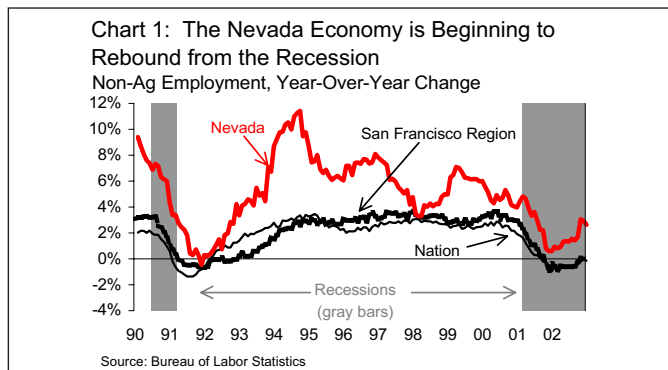
FDIC State Profile

SPRING 2003

Nevada

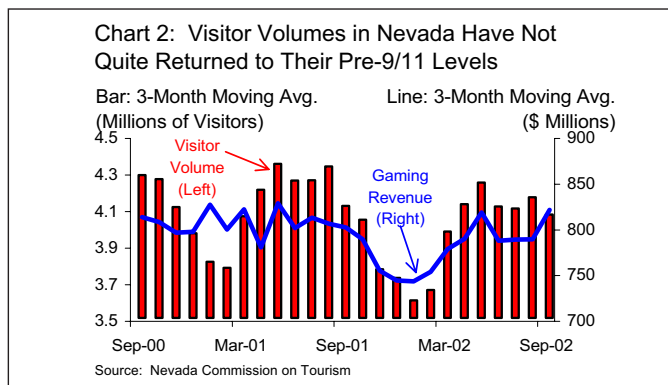
Nonfarm employment growth in Nevada continues to outpace the nation.

- Nonfarm payroll employment grew more rapidly during 2002 in Nevada than in any other state. However, the pace of growth in Nevada at 2.4 percent remains below the 5.2 percent average annual growth rate during the 1990s (see **Chart 1**).
- Job growth centered in the services, retail trade, government, and construction sectors.
- Employment growth in the government sector may be muted as the state struggles with a \$704 million budget deficit over the next two years.



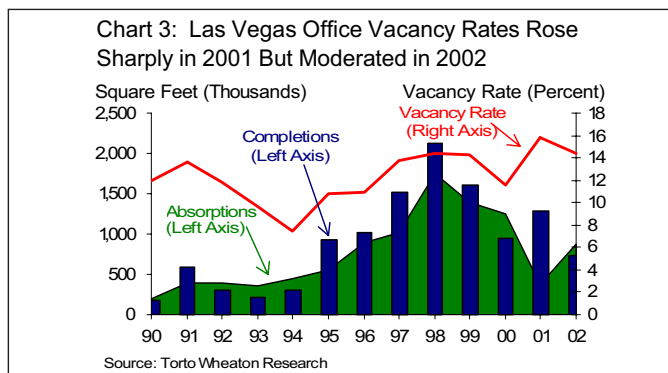
Gaming revenues continued to grow in Nevada, despite a below normal visitor count.

- The state's gaming industry continues to be challenged by the U.S. recession, a slowing global economy, and decline in travel following 9/11.
- Third quarter 2002 visitor volumes were down 5 percent statewide from 2000 levels (see **Chart 2**). Washoe County, which includes **North Lake Tahoe** and **Reno**, was the hardest hit, with visitor volume down 17 percent over the same period.
- Despite lower visitor counts, statewide gaming revenues were up 1 percent as of third quarter 2002 compared to third quarter 2000 levels, largely due to a 3 percent increase in the **Las Vegas** area. However, some of this increase has been offset by declines in revenues in Reno and Lake Tahoe.



Robust office construction between 1995 and 2001 contributed to rising office vacancies in the Las Vegas metropolitan statistical area (MSA).

- In the Las Vegas MSA, office completion rates generally outpaced absorption rates between 1995 and 2001. However, strengthened office demand and slowed construction during 2002 prompted some improvement in the market's overall office vacancy rate (see **Chart 3**).
- Hotel demand weakened in the wake of the September 2001 terrorist attacks, but has recovered somewhat since that time. The Las Vegas Convention and Visitors Authority reported a November 2002 Las Vegas hotel occupancy rate of 81 percent, up from 76 percent one year earlier, but below pre-9/11 levels.



- The sluggish economy and record low mortgage rates may have also adversely affected retail and apartment vacancy rates in the Las Vegas MSA, which have increased in recent quarters, according to Property and Portfolio Research, Inc.
- CRE market conditions are relevant given high CRE loan concentrations among the state's insured institutions, in particular those between 3 and 9 years old. As of September 2002, the median CRE loan-to-Tier 1 capital ratio among Nevada's estab-

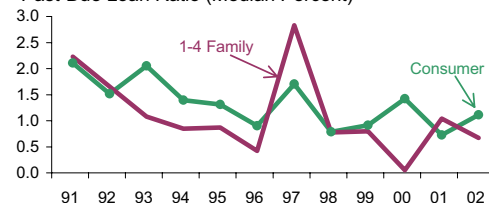
lished community institutions¹ was 545 percent, up from 287 percent ten years earlier. Construction loan exposures, one of the traditionally higher risk components of CRE lending, contributed materially to the trend.

- Despite softening CRE market conditions, the median past-due CRE loan² ratio among established community institutions decreased from 1.36 to 0.29 percent during the twelve months ending third quarter 2002.

Higher consumer debt loads and a rush to file in anticipation of proposed bankruptcy law changes prompted elevated bankruptcy and foreclosure rates in Nevada during 2001 and 2002.

- Through the twelve months ending September 2002, nearly 9 of every 1,000 people in Nevada filed for personal bankruptcy, a rate significantly higher than the national average and the state's year-ago performance. Nevada's personal bankruptcy filing rate was second highest in the San Francisco Region behind Utah.
- Clark County (the bulk of the Las Vegas MSA and home to nearly 70 percent of the state's population) reported the highest personal bankruptcy rate in the state during 2001.
- The Mortgage Bankers Association of America reported that foreclosure starts in Nevada averaged 0.53 percent per quarter in the first nine months of 2002, up from 0.47 percent one year earlier and well above a national quarterly average of 0.37 percent.
- Despite the state's high personal bankruptcy and foreclosure start rates, established community insti-

Chart 4: Nevada-Based Institutions Reported Increases in Past-Due Consumer Loan Ratios
Past-Due Loan Ratio (Median Percent)



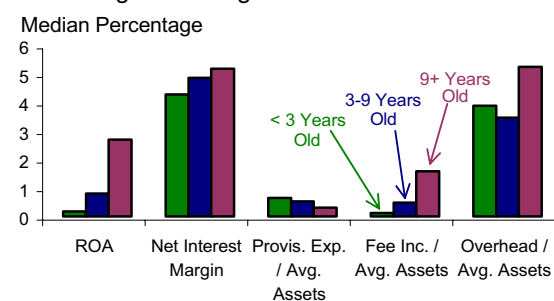
Note: Includes insured institutions with less than \$1 billion in assets, open more than 3 years, with consumer loan-to-Tier 1 capital ratios of less than 200 percent. Industrial loan companies are excluded.
Source: Nevada Bank and Thrift Call Reports (September of each year)

tutions based in Nevada reported a declining median past-due 1-4 family real estate ratio. However both the median past-due consumer loan ratio and the median net consumer loan loss ratio increased among the group during the year ending third quarter 2002 (see **Chart 4**).

Earnings reported by Nevada-based insured institutions were weak through third quarter 2002, primarily because of the high proportion of newly-chartered institutions (i.e., less than 9 years old).

- The median return on average assets (ROA) ratio reported by insured institutions based in Nevada increased slightly year-over-year through September 2002 from 0.80 to 0.82 percent, but remained well below the national median of 1.10 percent.
- Earnings performance varied among insured institutions, depending on age and asset niche. ROA ratios were weakest among banks and thrifts under 9 years old, which represented 70 percent of the state's insured institutions as of third quarter 2002 (see **Chart 5**). Insured institutions in operation longer than 9 years reported very high ROAs in part because 4 of the 11 institutions in this group specialize in high-yielding credit card lending.

Chart 5: Credit Card Loan Exposures Drove Profits Higher Among Older Insured Institutions
Median Percentage



Source: Nevada Bank and Thrift Call Reports (September 30, 2002)

¹ Established community institutions are defined as insured institutions opened more than three years, with total assets of less than \$1 billion and consumer loan-to-Tier 1 capital ratios of less than 200 percent. The definition also excludes industrial loan companies.

² CRE loans include mortgages secured by nonfarm-nonresidential, multifamily, and construction projects.

Nevada at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	36	35	32	29	26
Total Assets (in thousands)	39,325,520	34,343,416	39,650,561	28,496,850	25,131,563
New Institutions (# < 3 years)	10	11	11	9	9
New Institutions (# < 9 years)	25	25	22	18	15
Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	9.66	10.00	12.23	11.13	9.71
Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	1.14%	1.71%	1.30%	1.46%	1.43%
Past-Due and Nonaccrual ≥ 5%	1	4	3	5	3
ALLL/Total Loans (median %)	1.31%	1.48%	1.50%	1.36%	1.54%
ALLL/Noncurrent Loans (median multiple)	1.89	2.71	2.47	2.94	2.86
Net Loan Losses/Loans (aggregate)	1.67%	3.58%	2.85%	2.78%	2.69%
Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)	4	6	9	7	6
Percent Unprofitable	11.11%	17.14%	28.13%	24.14%	23.08%
Return on Assets (median %)	0.82	0.80	0.93	0.98	1.17
25th Percentile	0.33	0.33	-0.06	0.22	0.64
Net Interest Margin (median %)	4.83%	5.00%	5.64%	5.01%	5.54%
Yield on Earning Assets (median)	7.04%	8.79%	9.80%	8.50%	9.17%
Cost of Funding Earning Assets (median)	1.79%	3.97%	4.06%	3.43%	3.69%
Provisions to Avg. Assets (median)	0.55%	0.58%	0.81%	0.56%	0.32%
Noninterest Income to Avg. Assets (median)	0.47%	0.53%	0.61%	0.73%	0.71%
Overhead to Avg. Assets (median)	3.69%	3.89%	4.22%	3.98%	3.83%
Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	85.27%	82.26%	87.42%	79.85%	73.26%
Loans to Assets (median %)	72.28%	70.03%	70.74%	65.22%	61.91%
Brokered Deposits (# of Institutions)	14	8	6	4	4
Bro. Deps./Assets (median for above inst.)	5.70%	9.27%	4.16%	0.24%	0.57%
Noncore Funding to Assets (median)	18.10%	19.49%	18.07%	14.55%	16.02%
Core Funding to Assets (median)	65.79%	68.06%	66.44%	69.52%	72.11%
Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	24	22	18	17	17
National	7	8	8	8	7
State Member	3	3	4	2	2
S&L	0	0	0	0	0
Savings Bank	2	2	2	2	0
Mutually Insured	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Las Vegas NV-AZ	26	38,123,310	72.22%	96.94%	
Reno NV	6	965,937	16.67%	2.46%	
No MSA	4	236,273	11.11%	0.60%	